
CHAPTER 4 ALLOWABLE COSTS

Introduction

This chapter includes information needed to make decisions on budget expenditures. Allowable costs are reasonable and necessary to carry out the Scope of Work provisions specified in the local agency contract. Some examples of allowable costs are provided in this section.

A local agency is responsible for complying with all applicable federal and state regulations, and OMB circulars. OMB cost principle circulars specifically outline allowable costs and should be used as a reference. However, state laws, regulations, and California WIC policies may further restrict federally allowable costs. Important references are included in Section VI of this chapter.

I. GOVERNING ALLOWABLE COSTS RULES

Types of Costs and Guidelines for Expenses

As a general rule, a local agency shall be reimbursed for costs that are:

- Reasonable and necessary for the proper and efficient performance and administration of the WIC Program.
 - Allocable to the WIC Program.
 - Consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the local agency.
 - Treated consistently in like circumstances either as direct or indirect costs.
 - Determined in accordance with generally accepted accounting principles.
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- Not included as a cost or used to meet cost sharing or matching requirements of any other Federal award.
 - Adequately documented and authorized.

Any cost allocable to a particular Federal award or cost objective may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of Federal awards, or for other reasons.

Reasonable Costs

A cost is considered reasonable if it does not exceed that amount which a prudent person would spend under the circumstances prevailing at the time the decision was made to incur the cost. In determining the reasonableness of a given cost, the following factors should be considered:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation or performance of the WIC program.
 - Restraints imposed by sound business practices, arms-length bargaining, federal and state laws, and the WIC contract requirements.
 - Market prices for similar goods and services.
 - The individuals acted with prudence, considering their responsibilities to the organization, clients, and the public.
 - The cost does not significantly deviate from the established practices of the local agency which may unjustifiably increase the cost.
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Necessary Costs

In order for a cost to be deemed necessary, it must:

- Be incurred to carry out essential WIC program functions; and
 - Be required in order to avoid a situation that will adversely impact WIC program operations.
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Allocable Costs

A cost is allocable if it was incurred specifically for the WIC Program. The cost must benefit the WIC Program and be distributed in reasonable proportion to the benefits received.

- Any costs allocable to another Federal award may not be charged to the WIC Program to overcome fund deficiencies for any reason, including to avoid restrictions imposed by law or the terms of the Federal award.
 - Applicable credits, including, but not limited to, discounts, rebates, insurance refunds, or recoveries, shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.
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Direct and Indirect Costs Definitions and Examples

Title 7 of the Code of Federal Regulations (CFR) Part 246.14 establishes the Nutrition Services and Administrative (NSA) costs allowable under the WIC Program. The two types of allowable NSA costs are:

Direct Costs: Any cost identified with a specific objective that benefits one program or project.

Indirect Costs: Expenses incurred for a common or joint purpose that benefits more than one program or project and cannot be readily assigned to one program or project.

Examples of Allowable Direct Costs

Direct costs allowable under the WIC program include:

- Employee compensation for their time specifically devoted to the WIC program,
- the cost of materials used to carry out the purpose of the WIC program,
- the cost of equipment and other approved capital expenditures used for the WIC program,
- expense items or services contracted or furnished specifically for the WIC program,
- Travel expenses incurred for the WIC program.

A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.

Examples of Allowable Indirect Costs

Indirect costs allowable under the WIC program include: accounting, payroll preparation, legal services, automated data processing, general administration services, utilities, and depreciation.

II. PERSONNEL COSTS

Approval and Source Documentation

Personnel services costs necessary to deliver WIC program services and essential to the day-to-day functions of the local agency and WIC program are allowable and identified on line item 1 of the budget. The State WIC Branch must approve all personnel classification duty statements when the funding application is submitted. Unallowable direct personnel costs must be removed by the local agency.

Source documentation of actual hours worked must include time sheets or payroll records signed by the employee and a knowledgeable supervisor, prepared at least monthly and coincide with one or more pay periods.

Salary Justification

The State WIC Branch will contact the local agency to request justification for salary rates in the Personnel Justification Worksheet which are determined *not* comparable to current State salary rates.

Fringe Benefits

Fringe benefits for personnel service costs are allowable and include, but are not limited to, the following:

- Medical/dental benefits,
- Workers' compensation,
- Unemployment insurance, and
- Disability insurance.

Refer to Attachment 4-2 for allowable personnel costs.

III. OPERATING EXPENSES

Operating Expenses

Operating expenses necessary to achieve WIC program objectives are allowable and are identified on line item 2 of the budget. Source documentation, e.g., invoices, receipts, etc., is required for all operating expenses.

Examples of allowable operating expenses include: travel, space, minor equipment, breastfeeding promotion and support materials, and nutrition education materials and supplies. Refer to Attachment 4-3 for allowable and unallowable operating expenses.

IV. CAPITAL EXPENDITURES

Value and Useful Life

Capital assets cost more than \$5,000 and have a useful life of more than one year. They are identified on line item 3 of the budget. Refer to Attachment 4-4 for allowable and unallowable capital expenditures.

Real Property Renovations

Renovations are rearrangements, alterations and restorations of real property to make it suitable for WIC program use. Renovations to make building space suitable specifically for the WIC Program require State WIC Branch and USDA approval. Refer to Attachment 4-8 for guidelines to renovate or repair real property.

Depreciation

Depreciation is a charge which distributes the cost of a tangible capital asset, less residual value, over the estimated useful life of the asset in a systematic and logical manner. Depreciation is usually allocated to the budget as an indirect cost. Refer to Attachment 4-6.

Use Allowance

Use Allowance is analogous to depreciation, whereby the State or local agency charges a fixed amount, not to exceed two percent of acquisition cost, for the use of buildings in Federal programs.

Expensing

Expensing is a process to charge the entire acquisition cost of a capital asset to the WIC program in the fiscal year of acquisition. Expensing requires prior approval because it entails requesting USDA, FNS to pay the cost in advance of the WIC Program receiving any benefit from the property's use.

Capital Repairs

Repairs are activities to restore capital assets to their former, serviceable condition by replacing parts, putting together broken components, etc. Repairs that cost over \$5,000 or materially increase the value or useful life are capital expenditures requiring prior WIC approval.

V. OTHER COSTS

Subcontracts

Subcontracts are the only items to be budgeted in line item 4 of the budget. See Chapter 7 for further information on subcontracts.

VI. INDIRECT COSTS

Maximum Indirect Cost Allowance

Indirect costs are expenses that have been incurred for the overall general executive and administrative offices of the parent organization and other expenses of a general nature that do not involve direct client services. Indirect costs are restricted to a total amount not to exceed 10 percent of total salaries and wages and are identified on line item 5 of the budget.

When determining indirect costs, a local agency shall not include total fringe benefits as part of the total to determine the indirect costs limit.

Cost Allocation Plan

Contractors must develop a “cost allocation plan” to determine how best to account for expenses and charge them to appropriate grants. Financial officers are familiar with these requirements and how they relate to direct and indirect expenses. They generally handle these decisions and collaborate with various auditing entities to ensure the plan is applied consistently, based on the OMB Circulars. A local agency’s cost allocation plan must be kept on file and made available to the State WIC Branch on request.

VII. REFERENCES

Local Agency Responsibility

The local agency is responsible for complying with all applicable Federal and State regulations, and circulars. OMB cost principle circulars specifically outline allowable costs and should be used as a reference. However, state laws, regulations, and California WIC's policies may further restrict federally allowable costs.

A local agency shall comply with all applicable federal circulars, including Office of Management and Budget (OMB) Circulars A-87, and A-122, and Federal Regulations 7 CFR Part 3016 implementing the OMB circulars.

OMB Circulars Location

OMB cost principle circular	Applies to...
A-87	Local governments
A-122	Nonprofit organizations

The A-87 circular can be found online at:
www.whitehouse.gov/omb/circulars/a087/a87_2004.html

The A-122 circular can be found online at:
www.whitehouse.gov/omb/circulars/a122/a122_2004.html

Where to Find Cost Principles

The newest revisions of cost principles for state, local and Indian tribal governments; and private nonprofit organizations can be found in Part III of the Federal Register published by the Office of Management and Budget. Once in this PDF document you can search for federal regulations regarding personnel, operating and indirect costs as well as capital expenditures. The Federal Register can be found online at:
<http://www.whitehouse.gov/omb/fedreg/>

**Federal Grants
Management
Handbook**

Federal regulations regarding grant management are outlined in the Federal Grants Management Handbook.

The State WIC Branch recommends that a local agency subscribe to the handbook as it contains the OMB circulars previously described.

To obtain the handbook, and to receive monthly updates and revisions contact:

Thompson Publishing Group
Subscription Service Center
P. O. Box 26185
Tampa, FL 33623
1-800-964-5815

or access the website at:

www.grantsandfunding.com/libraries/grantmanage/gran/GFindex.html

VIII. ATTACHMENTS

Attachments

Attachments for Chapter 4 to follow this page.

LIST OF SELECTED ITEMS OF COST CONTAINED IN OMB COST PRINCIPLES CIRCULARS
(Amended effective June 9, 2004)

The following exhibit provides a listing of selected items of cost contained in each of the OMB cost principles circulars based on the changes contained in the *Federal Register* notice dated May 10, 2004 (69 FR 25970-25995) (http://www.whitehouse.gov/omb/fedreg/2004/040510_cost_principles.pdf). The primary changes are deletion of items, changes in language for consistency, and extension of certain items previously only in one or more—but not all—sets of OMB cost principles to another set(s) of OMB cost principles. Although the recent changes minimized the number of non-substantive differences among the OMB cost principles, there remain several cost items that are unique to one type of entity and not to other entities (e.g., commencement and convocation costs are only applicable to universities). The exhibit lists the selected items of cost along with a cursory description of its allowability. The numbers in parentheses refer to the cost item in the applicable circular, as revised. The reader is strongly cautioned not to rely exclusively on the summary but to place primary reliance on the referenced circular text.

Selected Items of Cost Exhibit 1 (amended 6/04)		
Selected Cost Item	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Governments	OMB Circular A-122, Attachment B Non-Profit Organizations
Advertising and public relations costs	(1) Allowable with restrictions	(1)-Allowable with restrictions
Advisory councils	(2)-Allowable with restrictions	(2) Allowable with restrictions
Alcoholic beverages	(3)-Unallowable	(3)-Unallowable
Alumni activities	Not specifically addressed	Not specifically addressed
Audit costs and related services	(4)-Allowable with restrictions and as addressed in OMB Circular A-133	(4)-Allowable with restrictions and as addressed in OMB Circular A-133
Bad debts	(5)-Unallowable	(5)-Unallowable
Bonding costs	(6)-Allowable with restrictions	(6)-Allowable with restrictions
Commencement and convocation costs	Not specifically addressed	Not specifically addressed
Communication costs	(7)-Allowable	(7)-Allowable
Compensation for personal services	(8)-Unique criteria for support	(8)-Unique criteria for support
Compensation for personal services - organization-furnished automobile	Not specifically addressed	(8.g)- Unallowable for that portion of costs attributed to personal use
Compensation for personal services - sabbatical leave costs	Not specifically addressed	Not specifically addressed
Compensation for personal services - severance pay	(8)-Allowable with restrictions	(8.k)-Allowable with restrictions

Selected Cost Item	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Governments	OMB Circular A-122, Attachment B Non-Profit Organizations
Contingency provisions	(9)-Unallowable with exceptions	(9)-Unallowable with exceptions
Deans of faculty and graduate schools	Not addressed	Not addressed
Defense and prosecution of criminal and civil proceedings and claims	(10)-Allowable with restrictions	(10)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)
Depreciation and use allowances	(11)-Allowable with qualifications	(11)-Allowable with qualifications
Donations and contributions	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)
Employee morale, health, and welfare costs	(13)-Allowable with restrictions	(13)-Allowable with restrictions
Entertainment costs	(14)-Unallowable	(14)-Unallowable
Equipment and other capital expenditures	(15)-Allowability based on specific requirements	(15)-Allowability based on specific requirements
Fines and penalties	(16)-Unallowable with exception	(16)-Unallowable with exception
Fundraising and investment management costs	(17)-Unallowable with exceptions	(17)-Unallowable with exceptions
Gains and losses on depreciable assets	(18)-Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)	(18)-Allowable with restrictions
General government expenses	(19)-Unallowable with exceptions	Not specifically addressed
Goods or services for personal use	(20) Unallowable	(19)-Unallowable
Housing and personal living expenses	Not specifically addressed	(20)-Unallowable as overhead costs
Idle facilities and idle capacity	(21)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(21)-Idle facilities - unallowable with exceptions; idle - capacity allowable with restrictions

Selected Cost Item	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Governments	OMB Circular A-122, Attachment B Non-Profit Organizations
Insurance and indemnification	(22)-Allowable with restrictions	(22)-Allowable with restrictions
Interest	(23)-Allowable with restrictions	(23)-Allowable with restrictions
Interest - substantial relocation	Not specifically addressed	(23.a(6)(d))-Possible adjustment in relocated within 20 years
Labor relations costs	Not specifically addressed	(24)-Allowable
Lobbying	(24)-Unallowable	(25)-Unallowable with exceptions
Lobbying - executive lobbying costs	(24.b)-Unallowable	(25.d)-Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed	(26)-Unallowable (Losses on other awards or contracts)
Maintenance and repair costs	(25)-Allowable with restrictions (Maintenance, operations, and repairs)	(27)-Allowable with restrictions
Materials and supplies costs	(26)-Allowable with restrictions	(28)-Allowable with restrictions
Meetings and conferences	(27)- Allowable with restrictions	(29)-Allowable with restrictions
Memberships, subscriptions, and professional activity costs	(28)-Allowable as a direct cost for civic, community and social organizations with Federal approval; unallowable for lobbying organizations.	(30)-Allowable for civic and community organizations with Federal approval; unallowable for social organizations.
Organization costs	Not specifically addressed	(31)-Unallowable except Federal prior approval
Page charges in professional journals	(34.b)-Allowable with restrictions (addressed under "Publication and printing costs")	(32)-Allowable with restrictions
Participant support costs	Not specifically addressed	(33)-Allowable with prior approval of the Federal awarding agency
Patent costs	(29)-Allowable with restrictions	(34)-Allowable with restrictions
Plant and homeland security costs	(30)-Allowable with restrictions	(35)-Allowable with restrictions
Pre-agreement costs	(31)-Allowable with restrictions (Pre-award costs)	(36)-Allowable with restrictions
Professional service costs	(32)-Allowable with restrictions	(37)-Allowable with restrictions

Selected Cost Item	OMB Circular A-87, Attachment B State, Local, & Indian Tribal Governments	OMB Circular A-122, Attachment B Non-Profit Organizations
Proposal costs	(33)-Allowable with restrictions	Not specifically addressed
Publication and printing costs	(34)-Allowable with restrictions	(38)-Allowable with restrictions
Rearrangement and alteration costs	(35)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(39)-Allowable (ordinary and normal); allowable with Federal prior approval (special)
Reconversion costs	(36)-Allowable with restrictions	(40)-Allowable with restrictions
Recruiting costs	(1.c)-Allowable with restrictions (addresses costs of advertising only)	(1)-Allowable with restrictions
Relocation costs	Not specifically addressed	(42)-Allowable with restrictions
Rental cost of buildings and equipment	(37)-Allowable with restrictions	(43)-Allowable with restrictions
Royalties and other costs for use of patents	(38)-Allowable with restrictions	(44)-Allowable with restrictions
Scholarships and student aid costs	Not specifically addressed	Not specifically addressed
Selling and marketing costs	(39)-Unallowable with exceptions	(45)-Unallowable with exceptions
Specialized service facilities	Not specifically addressed	(46)-Allowable with restrictions
Student activity costs	Not specifically addressed	Not specifically addressed
Taxes	(40)-Allowable with restrictions	(47)-Allowable with restrictions
Termination costs applicable to sponsored agreements	(41)-Allowable with restrictions	(48)-Allowable with restrictions
Training costs	(42)-Allowable for employee development	(49)-Allowable with limitations
Transportation costs	Not specifically addressed	(50)-Allowable
Travel costs	(43)-Allowable with restrictions	(51)-Allowable with restrictions
Trustees	Not specifically addressed	(52)-Allowable with restrictions

Line Item 1

Allowable Personnel Costs

Cost	EXAMPLES OF ALLOWABLE PERSONNEL COSTS INCLUDE, BUT ARE NOT LIMITED TO:
Salaries	<p>Allowable:</p> <ul style="list-style-type: none"> • Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award. It includes, but is not limited to: <ul style="list-style-type: none"> ✓ Bilingual pay; ✓ Incentive awards; ✓ Incentive pay; ✓ Merit Salary Increase or Cost of Living Adjustment (COLA); ✓ Overtime, extra-pay shift, multi-shift premiums, and ✓ Differential. • Salary and benefit costs for time, including preparation and travel time spent on: <ul style="list-style-type: none"> ✓ Nutrition education, breastfeeding promotion and support training, and consultations; ✓ Development of the nutrition education and breastfeeding promotion and support portions of the State plan and local agency Nutrition Services Plan; ✓ Costs of peer counselors and individuals hired to undertake home visits and other actions to encourage the initiation and continuation of breastfeeding; ✓ WIC staff participation in State committees dedicated to nutrition services, WIC operations, breastfeeding promotion and support, and other WIC-related work; ✓ WIC staff who organize volunteers and community groups to support WIC participants; ✓ WIC staff who certify participants, including issuance and explanation of food instruments, referral of participants to other health care and social service programs, coordination and participation in activities which promote a broader range of health and social services for participants, coordination services with other programs; ✓ Interpreter services and translation; ✓ Costs incurred in developing and implementation of the outreach portion of the State Plan and local agency outreach plans. • Fringe benefits including: <ul style="list-style-type: none"> ✓ Medical/dental benefits; ✓ Workers' compensation; ✓ Unemployment insurance; and ✓ Disability insurance

Line Item 2 Allowable Operating Expenses

Cost	
Audit Costs	<p>Allowable Costs: A pro rata share of the local agency's costs associated with conducting a financial audit of the agency by an independent auditor. The percentage of the costs charged to the WIC Program shall not exceed the percentage of the local agency's total budget for the fiscal year under audit.</p>
Blood Tests (Local Agency Administered)	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • Costs incurred by a local agency for the performance of hemoglobin/hematocrit tests to determine participant eligibility are subject to provisions described in paragraphs (a) or (b) below. These costs may be considered an allowable expense for a local agency experiencing difficulty in obtaining timely required hemoglobin/hematocrit test from local medical providers (i.e., Child Health and Disability Prevention Services Program (CHDP) providers). <p>a) <u>Laboratory Fees</u>: A local agency shall obtain from the State WIC Branch approval for reimbursement of outside laboratory tests (i.e., hemoglobin/hematocrit tests). Once approved by the State WIC Branch, a local agency shall reimburse the outside laboratory for the hemoglobin/ hematocrit tests done to meet certification requirements. A local agency must keep a detailed record of the laboratory tests performed by the contracted laboratory. A detailed record includes: (1) a written and signed agreement between the local agency and the contracted laboratory, (2) name of the laboratory, (3) cost per test, (4) date tests were done, (5) total number of tests done, (6) participant's name, WIC ID number and categorical status, (7) results of tests, (8) name of physician or authorized health care professional ordering the blood work, and (9) authorizing signature of WIC staff person.</p> <p>b) <u>Medical Supplies for Local Agency Administered Blood Tests</u>: If a local agency chooses to administer the required hemoglobin/hematocrit tests, prior to receiving approval of its budget, the local agency shall obtain from the State WIC Branch approval for reimbursement for local agency administered blood tests. Once approved by the State WIC Branch, a local agency shall be reimbursed for the hemoglobin/hematocrit tests done to meet certification requirements. A local agency must keep a detailed record of the tests performed. A detailed record includes those items required of a contracted laboratory specified in (a) (3) through (9) above.</p>

	<p>The local agency shall only be reimbursed for the actual documented costs of the test performed or the maximum CHDP rate. Therefore, a local agency must keep full documentation of the total costs of the tests. A local agency that does not administer tests may seek testing from a contracted outside laboratory (if necessary) or a CHDP provider (if available). A local agency is instructed to contact their county CHDP for a current list of providers and the current CHDP rate. If a local agency administers the test, the blood test shall be conducted in a licensed clinical laboratory and performed by appropriate personnel as required by the 1988 Clinical Laboratory Improvement Amendment (CLIA) of 1988 and applicable state laws and regulations. Therefore, any location where blood samples are taken shall meet all requirements for CLIA 88 certification and State licensure as a clinical laboratory. The local agency shall document the use of proper personnel in performing the local agency administered blood tests.</p> <p>Unallowable Costs:</p> <ul style="list-style-type: none"> Any mid-certification follow-up blood tests indicated due to a participant's medical condition are not allowable costs. This type of medical intervention that involves periodic blood testing (for example the treatment or prevention of iron deficiency anemia) is the responsibility of health care providers and not the WIC program. Direct cash reimbursement to participants for blood tests.
Breastfeeding Aids	<p>Allowable:</p> <ul style="list-style-type: none"> Breast pumps (including insurance and service fees in providing breast pumps), breast shells, nursing supplements, nursing bras and nursing pad which directly support the initiation of continuation of breastfeeding. A local agency should weigh the benefits of providing nursing bras and pads against the importance of management functions and participant benefits (i.e. breastfeeding counseling, breastfeeding education and materials and peer counseling) that could otherwise be provided or enhanced with the funds. Training and demonstration costs to promote or assist participant in using breastfeeding aids (i.e. models to illustrate the use of various breastfeeding aids or dolls used to illustrate nursing) are also allowable expenses.

Breastfeed Baby Weight Scales	<p>Allowable Costs:</p> <p>The <u>rental cost</u> of a breastfed baby weight scale used by high-risk, breastfeed infants may be an allowable cost. In order for the rental cost to be allowable, the local agency shall obtain a prescription or other documentation indicating the need for the scale and have the use of the scale monitored by a trained medical professional who can offer immediate support and solutions to the problems of inadequate milk production. Further, the local agency shall ensure that the mother will be instructed on the proper use of the scale.</p> <p>To avoid potential legal liabilities regarding the use of the scale, it shall not be the local agency's responsibility to provide monitoring or instruction on the use of the scale. Therefore, the local agency may have arrangements to pay third parties to rent, monitor, and provide instruction in the use of the scale.</p>
Education	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • Costs of preparation and maintenance of a program of instruction including but not limited to on-the-job, classroom, and apprenticeship training, designed to increase the vocational effectiveness of employees, including training materials, textbooks, salaries or wages of trainees (excluding overtime compensation which might arise therefrom), and (i) salaries of the director of training and staff when the training program is conducted by the organization; or (ii) tuition and fees when the training is in an institution not operated by the organization, are allowable. • Costs of part-time education, at an undergraduate or post-graduate college level, including that provided at the organization's own facilities, are allowable only when the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work, and are limited to: <ul style="list-style-type: none"> (1) Training materials. (2) Textbooks. (3) Fees charged by the educational institution. (4) Tuition charged by the educational institution or, in lieu of tuition, instructors' salaries and the related share of indirect costs of the educational institution to the extent that the sum thereof is not in excess of the tuition which would have been paid to the participating educational institution. (5) Salaries and related costs of instructors who are employees of the organization.

(6) Straight-time compensation of each employee for time spent attending classes during working hours not in excess of 156 hours per year and only to the extent that circumstances do not permit the operation of classes or attendance at classes after regular working hours; otherwise, such compensation is unallowable.

Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a post-graduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended.

- Costs of attendance of up to 16 weeks per employee per year at specialized programs specifically designed to enhance the effectiveness of executives or managers or to prepare employees for such positions are allowable. Such costs include enrollment fees, training materials, textbooks and related charges, employees' salaries, subsistence, and travel. Costs allowable under this paragraph do not include those for courses that are part of a degree-oriented curriculum, which are allowable only to the extent set forth in subparagraphs b and c.
 - a) Maintenance expense, and normal depreciation or fair rental, on facilities owned or leased by the organization for training purposes are allowable to the extent set forth in paragraphs 11, 27, and 50.
 - b) Training and education costs in excess of those otherwise allowable under subparagraphs b and c may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work.

Unallowable Costs:

Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.

Employee Morale, Health and Welfare Costs.	<p>Allowable Costs:</p> <ul style="list-style-type: none"> The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable. <p>Unallowable Costs:</p> <ul style="list-style-type: none"> Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
Food Costs	<p>Allowable Costs:</p> <ul style="list-style-type: none"> Purchase of cooking/food demonstration carts for use in nutrition education. Cost of food for recipe/taste testing purposes that promote WIC foods. Cost of kitchen equipment and dishes necessary for food storage (i.e., refrigerators), preparation, and display of food prepared for demonstration purposes. Cost of food samples associated with a nutrition education lesson. Staff time to prepare food for demonstration and/or taste testing purposes. <p>Unallowable Costs:</p> <ul style="list-style-type: none"> Distribution or providing meals or snacks to participants as an incentive to attend the class. Also, incentive payments to encourage attendance at nutrition education classes. Ongoing snack or food service. Meal size portions or complete meal service. Cost of food provided as groceries or supplemental food. Cost of kitchen equipment and dishes necessary for food storage (i.e., refrigerators) for personal use by WIC staff.
Interpreter/Translator Services	<p>Allowable Costs:</p> <p>The cost of translators and materials for interpreters. Costs shall be included in the "Operating Expenses" line item of the budget rather than the personnel line item category if services are provided for a fee or by agreement with individuals who are not employees of the local agency.</p>

Minor Equipment	Minor equipment is any tangible item that has a base unit cost of \$500 to \$4,999 (including tax) and
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	<p>a useful life of one or more years, including items considered to be at high risk for theft. Minor equipment does not require prior WIC Branch approval.</p> <p>Allowable Costs:</p> <ul style="list-style-type: none"> • Prorated cost of minor equipment required to conduct nutrition education and breastfeeding promotion and support activities. • The costs of medical equipment used for taking anthropometric measurements such as scales, measuring boards and skin fold calipers and for blood analysis to detect anemia such as a spectrophotometer or hemacue. • Breast pumps, digital cameras, televisions, VCR and DVD players, Camcorders, desks, playroom furniture, filing cabinets, digital cameras, and chairs over \$500.00. • Primary or acute care medical equipment.
Materials	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • The cost of procuring and producing general education materials including outreach items such as t-shirts, buttons, bibs, pens, sippy cups, calendars, refrigerator magnets or other items of nominal value with reasonable opportunity for public display that contain a WIC promotional message, phone number, or website. • Posters, pamphlets, audio visuals, printing and duplicating health education materials, etc, used in providing education on non-nutrition topics such as child safety and family planning. A local agency shall obtain written approval from the State WIC Branch prior to the development or revision of any health education materials which the agency plans to use on an ongoing basis. Costs for health education materials/supplies shall not be considered as part of the costs in meeting the requirement of spending at least 18 percent of the local agency budget on nutrition education activities. <p>Unallowable Costs:</p> <ul style="list-style-type: none"> • Program incentives items such as celebratory items, items designed primarily as staff morale boosters and items for the general use of staff with minimal public display. • Items of nominal value such as diapers, diaper bags, strollers, infant slings or pouches as these items are not considered reasonable and necessary costs.

	<ul style="list-style-type: none"> • Items that do not directly support the initiation and continuation of breastfeeding are unallowable breastfeeding expenses. Examples include topical creams, ointments, Vitamin E, foot stools,
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	<p>infant pillows, nursing blouses, costs of gifts and other items which do not meet the criteria for allowability for breastfeeding promotion and support. These items are considered contributions or donations to the WIC participant and are therefore unallowable costs.</p>
Memberships, subscriptions, and professional activity costs	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • Costs of the governmental unit's memberships in business, technical, and professional organizations are allowable. • Costs of the governmental unit's subscriptions to business, professional, and technical periodicals are allowable. • Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal awarding agency. <p>Unallowable Costs:</p> <ul style="list-style-type: none"> • Costs of membership in organizations substantially engaged in lobbying are unallowable.
Meetings and Conferences	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. <p>Unallowable Costs:</p> <ul style="list-style-type: none"> • Entertainment, including amusement, diverse social activities and any costs directly associated with such costs, such as shows or sports events, meals, lodging, rentals, transportation, and gratuities.
Monitoring and Evaluation	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • The cost of conducting evaluations of nutrition education and breastfeeding promotion and support activities, including evaluations by subcontractors.
Outreach	<p>Allowable Costs:</p> <p>The cost of outreach services. Program incentives for outreach shall:</p> <ul style="list-style-type: none"> • Contain a WIC specific message that targets the potentially eligible population; • Normally be seen in public;

	<ul style="list-style-type: none"> • For publications or other printed material that include WIC program information, materials must contain the federal nondiscrimination statement; • Have value as outreach devices that equal or outweigh other uses; • Include WIC contact information such as the local agency name, address, and/or telephone number; • Constitute (or show promise of) an innovative or proven way of encouraging WIC participants; and • Be a reasonable and necessary cost. <p>Examples of allowable outreach items include t-shirts, buttons, bibs, pens, cups or other items of nominal value with reasonable opportunity for public display that contain a WIC promotional message.</p> <p>Unallowable Costs:</p> <ul style="list-style-type: none"> • Examples of some unallowable program incentive items include celebratory items or items designed primarily as staff moral boosters, generally for the personal use of the staff, with minimal public display; • Items of nominal value which have no outreach message, any program incentive item intended for persons who are not participants, potential participants, their parents/guardians, or persons connected to the WIC program (e.g. staff and cooperating agency representatives); and • Items not of nominal value such as diapers, diaper bags, infant slings or ponchos (regardless of outreach message). These items would not meet the “reasonable and necessary” test.
Rent	<p>Allowable Costs:</p> <p>Cost of office space utilized by program staff members and/or participants. A pro rata share of office space utilized by administrative staff may be allowable if these costs are not budgeted as indirect costs. Rent includes such related costs as insurance, building repairs/maintenance, utilities, janitorial/security services, etc. Rent shall not be charged for use of a building/space that is owned by the local agency. In these cases, a use or depreciation allowance is the method employed for calculating costs and is allowable.</p>

Supply Items	Supply items are tangible property with a unit cost of less than \$500 (excludes modular office
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	<p>furniture and items at high risk for theft).</p> <p>Allowable Costs:</p> <ul style="list-style-type: none"> • Commercially available software costing less than \$5,000. Commercially available software is prewritten computer software programs available from retail dealers. Examples include Word processing programs, spreadsheet applications and publishing programs. • Calculators, chairs under \$500.00 (i.e. folding chairs), toner, paper, pens/pencils, handouts, flip charts, food models, teaching aids, materials provided to WIC participants, the cost of mailing and distribution of materials to WIC participants.
Training	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • The cost of training WIC staff in the certification process and general administration procedures, • The cost of training staff in breastfeeding promotion and support educators and nutrition educators • Training costs associated with conducting training sessions, purchasing, and producing training materials.
Travel	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • Travel and related costs incurred by WIC staff to conduct <ul style="list-style-type: none"> ✓ Any breastfeeding promotion and support activity ✓ Administrative functions ✓ The certification process ✓ Any nutrition education activity • Mileage – as of 12/31/2004, the mileage rate is .34 per mile for travel reimbursement. This rate is determined by the Master Contract with the State of California and its employees.
Other Costs	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • The cost of transporting rural participants to clinics when prior approval for using Program funds to provide transportation has been granted by the State agency and documentation that such service is considered essential to assure Program access has been filed at the State agency. An example would be a bus pass or tokens. • Postage costs and monthly telephone charges. • Printing and duplicating

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| | <ul style="list-style-type: none">• Auditor costs – A pro rata share of the local agency's costs associated with conducting a financial audit of the agency by an independent auditor. The percentage of the costs charged to the WIC Program shall not exceed the percentage of the local agency's total budget for the fiscal year.• Registration and membership fees in a professional organization. Fees must be reasonable and necessary to perform the job duties• Costs incurred for laboratory fees and medical supplies necessary to perform participant eligibility tests.• Medical costs• General health education• Immunization promotion <p>Unallowable:</p> <ul style="list-style-type: none">• Direct cash reimbursement to participants is not allowed. This includes reimbursement for blood tests and transportation.• Physical Activity Promotion: Fitness center dues or memberships, exercise equipment, facility rental or medications for physical activity purposes and exercise classes and instructors for such classes.• Immunization Vaccines – WIC funds shall not be used for purchasing or administering vaccines. WIC funds shall not further be used for costs associated with the delivery of acute or primary health care services such as purchasing medical equipment. |
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Line Item 3 Allowable Capital Expenditures

Cost	
Definition	<p>"Capital Expenditures" is expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices.</p>
Equipment	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • "Equipment" is an article of nonexpendable, tangible property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the institution for financial statement purposes, or \$5000. • "General purpose equipment" is equipment, which is not limited to research, medical, scientific or other technical activities. Examples include <ul style="list-style-type: none"> ✓ Office equipment and furnishings ✓ Telephone networks ✓ Information technology equipment and systems ✓ Reproduction and printing equipment, and ✓ Motor Vehicles
Buildings	<p>Allowable Costs:</p> <ul style="list-style-type: none"> • Renovations to real property that cost more than \$5,000 require prior written approval from USDA, Food and Nutrition Services (FNS) Regional Offices and the State WIC Branch. The repair or renovation of real property is considered a capital expenditure and, therefore, requires federal approval. • Local Agencies should submit a written request on their agency's letterhead. Request for renovation or repairs to buildings will be submitted by the State WC Branch to the FNS, Western Region for approval. Regions will use the "Worksheet for Requests to Renovate or Repair Real Property" to evaluate a request from the WIC Branch. (Refer to Attachment 8)

	Unallowable Costs: <ul style="list-style-type: none">• Equipment and other capital expenditures are unallowable as indirect costs.• Purchases for which no previous Branch approval was received.• 100% payment for equipment that is shared with other organizations.
Software	Allowable Costs: <ul style="list-style-type: none">• Any commercially available ADP software having a unit cost of \$5,000 or more.• Any noncommercially available software, regardless of cost. Note: <ul style="list-style-type: none">• Miscellaneous hardware such as cabling, surge protectors, etc and commercially available software less than \$5,000 per unit is not defined as equipment and should not be budgeted in the "Capital Expenditures (Equipment) Line Item. These items should be budgeted as office supplies.

Line Item 5
Allowable Indirect Costs

Definition	<p>Indirect costs are amounts for administrative/support services which are not attributed to one program. Indirect costs are restricted to a total amount not to exceed 10 percent of total salaries and wages.</p> <p>When determining indirect costs, a local agency shall not include total fringe benefits as part of total salaries and wages. All indirect costs shall be supported by a cost allocation plan.</p>
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**NON-PROFIT
METHOD FOR CALCULATING SPACE COSTS FOR AGENCY-OWNED BUILDING
BASED ON OMB CIRCULAR A-122**

Method	Condition
<p>Use Allowance - 2% of acquisition cost times percentage of square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Computation excludes 1) cost of the land; 2) any portion of the building cost borne by or donated by the Federal Government; and 3) any portion of the building contributed by or for the organization in satisfaction of a statutory matching retirement. • Use allowance for the building and improvement (including land improvement such as paved parking areas, fences and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition cost. • Cannot combine use allowance and depreciation methods. • If the use allowance method is utilized it must be applied consistently for all local agency programs (not just WIC). • Must be supported by adequate property records. • Entire building must be treated as a single asset.
<p>Depreciation - Acquisition cost divided by the useful life (50 years) times the percentage of square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p> <p style="text-align: center;">~ or ~</p> <p>Acquisition cost divided by the straight-line depreciation times the percentage of the square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Computation excludes 1) the cost of the land; 2) any portion of the building cost borne by or donated by the Federal Government; and 3) any portion of the building contributed by or for the organization in satisfaction of a statutory matching retirement. • Cannot combine use allowance and depreciation methods. • If the depreciation method is utilized it must be applied consistently for all local agency programs (not just WIC). • Must be supported by adequate property records. • Must be supported by adequate depreciation records indicating the amount of depreciation taken each period. • Building shell may be segregate from each building component and each item depreciated over its estimated useful life or the entire building may be treated as a single asset. • The method of depreciation used to assign the cost of an asset to accounting periods shall reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method.
<p>Actual Cost Based on Principle Only - The monthly mortgage principle (less interest) divided by the total building square footage equals the cost per square foot times the square footage occupied by WIC equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Building acquired before September 29, 1995. • If the actual cost method is utilized it must be applied consistently for all local agency programs (not just WIC). • If facility cost is \$500,000 or more, a lease/purchase analysis must be approved by USDA or Dept. of Health and Human Services prior to the acquisition. • If facility cost is less than \$500,000 USDA must approve purchase without lease/purchase analysis. • Facility acquisition costing over \$10 million and where WIC reimbursement is expected to equal or exceed 40% of an asset's cost, the non-profit must submit a justification to the WIC Branch prior to the acquisition. • Refer to OMB Circular A-122 for more detailed information.
<p>Actual Cost Based on Principle and Interest -The monthly mortgage principle and interest divided by the total building square footage equals the cost per square foot time square footage occupied by WIC equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Building acquired on or after September 29, 1995. • If facility costs \$500,000, or more, a lease/purchase must be approved by USDA or Dept. of Health and Human Services prior to the acquisition. • If facility cost is less than \$500,000 USDA must approve the purchase without lease/purchase analysis. • Facility acquisition costing over \$10 million and where WIC reimbursement is expected to equal or exceed 40% of an asset's cost the non-profit must submit a justification to the WIC Branch prior to the acquisition. • Interest incurred to finance or refinance capital assets that were held prior to September 29, 1995 and re-acquired on or after September 29, 1995 is not allowable. • Allowable interest for capital assets includes renovations, alterations, land and capital assets acquired through capital leases. • If the actual cost method is utilized it must be applied consistently for all local agency program (not just WIC). • Refer to OMB Circular A-122 for more detailed information.

**LOCAL GOVERNMENT
METHOD FOR CALCULATING SPACE COSTS FOR BUILDINGS OWNED BY AN AGENCY
BASED ON OMB CIRCULAR A-87**

Method	Condition
<p>Use Allowance – 2% of acquisition cost times the percentage of square feet occupied by WIC divided by 12 equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Acquisition costs are based on building only, not land. • Cannot combine use allowance and depreciation. • If the use allowance method is utilized it must be applied consistently for all local agency programs (not just WIC).
<p>Depreciation - Acquisition cost divided by the useful life (50 years) divided by 12 equals the WIC monthly space cost. ~ or ~ Acquisition cost divided by the straight-line depreciation times divided by 12 equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Acquisition costs are based on building cost only, not land. • Cannot combine use allowance and depreciation. • If the depreciation method is utilized it must be applied consistently for all local agency programs (not just WIC).
<p>Actual Cost Based on Principle Only - The monthly mortgage principle divided by the total building square footage equals the cost per square foot times the square footage occupied by WIC equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Building acquired before October 1, 1980. • If the actual cost method is utilized it must be applied to all local agency programs (not just WIC).
<p>Actual Cost Based on Principle and Interest -The monthly mortgage principle and interest divided by the total building square footage equals the cost per square foot times square footage occupied by WIC equals the WIC monthly space cost.</p>	<ul style="list-style-type: none"> • Buildings acquired on or after October 1, 1980. • If facility cost is \$500,000, or more, a lease/purchase must be approved by USDA or Dept. of Health and Human Services prior to the acquisition. • If facility cost is less than \$500,000 USDA must approve the purchase without lease/purchase analysis.

Worksheet for Requests to Renovate or Repair Real Property

I. Determining the Absence of Other Options

1. Has the Local Agency documented that the landlord will not renovate or repair the building as part of the rental agreement?

2. Has the Local Agency established there are insufficient local or community monies available to fund the cost of the proposed renovation or repair?

3. Has the Local Agency obtained at least three estimates in the process of determining the projected cost of the proposed renovation or repair?

4. Has the Local Agency examined the availability and cost of alternative sites that do not require renovation in the preparation of its request to renovate or repair a particular site?

5. How does the projected cost of renovation or repair compare to the cost of alternative rental space in the proposed area (over a 5-year period of time)? The U.S. Department of Housing and Urban Development (HUD) maintains statistics regarding the availability and cost of rental properties nationwide.

II. Determining the Acceptability of a Site

For large requests for renovations or repairs, State WIC Branch regional staff may need to examine the site to determine its acceptability prior to final approval.

1. Is the site centrally located in the area which it is intended to serve?
2. Is the site located in proximity to a hospital and/or local health agency? To public transportation?
3. Is the site large enough to house adequate staff and equipment to accommodate the numbers of participants it is anticipated to serve?
4. Does the site provide easy access for pregnant women, children, and handicapped persons?
5. Can the site handle the program's automation needs (e.g. telephone lines, electrical outlets, and security)? Are the costs of any such upgrades included in the renovation costs?
6. Has a recent Program Evaluation or Technical Assistance Visit identified the inadequacy of the site being proposed for renovation or repair?
7. Is the proposed renovation or repair to address unsafe clinic conditions?

III. Determining WIC's Fair Share of Costs

1. What programs or offices will be located in the area of building to be renovated or repaired?
2. What methodology is being used to calculate each party's fair share of the projected renovation or repair cost? Does the methodology assign to WIC a portion of the cost reasonably commensurate with the benefit WIC receives from use of the space?

IV. Condition for Final Approval

1. If the property is publicly owned, has the State agreed that in the event that the WIC Program vacates the facility that it will pay, from State monies, the Federal Government the non-depreciated value of the renovation/repair paid for with WIC Program funds?
2. If the property is privately owned, has the landlord agreed to extend the lease until the WIC Program has received full benefit from the renovation, or amended the lease agreement to provide for a refund to the local agency of the dollar amount representing the portion of the renovation cost from which the local agency has as yet receive no benefit?